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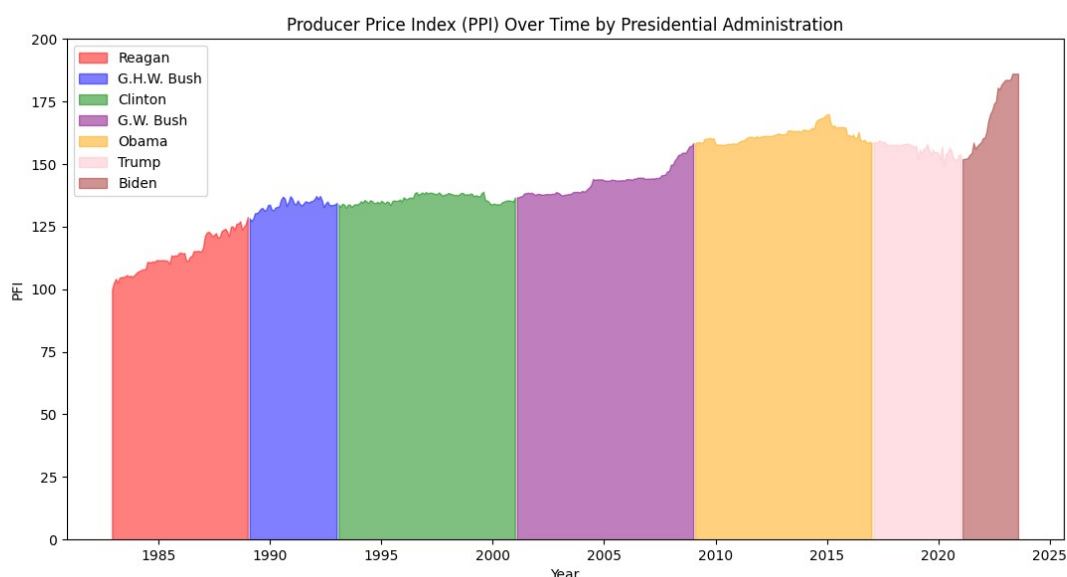


Producer Price Index-005-A, (PPI-005-A)

"It's the Economy, stupid!" -James Carville (1992)

Deciphering Economic Trends Through the Producer Price Index

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The Producer Price Index (PPI) for commodities such as Processed Foods, Frozen Dinners, and Frozen Pizza, along with its related indicator, the Pizza Factor Index (PFI), provides valuable insights into economic trends during various presidential administrations. These indices measure changes in prices and provide insights into the health and trajectory of the economy.

Economic indicators like the Big Mac index have been used to assess the relative value of currencies across countries. However we introduce pizza, particularly frozen pizza, as an alternative benchmark.

In New York City, the price of a plain cheese slice has risen steadily over the years, and prompts questions about the impact of inflation and rising commodity costs on everyday expenses. Pizza reflects the economy, where factors like labor costs, ingredient prices, and market dynamics influence the affordability of a staple like pizza. It serves as a relatable economic indicator, providing insights into the broader economic trends affecting the daily lives of people.

As pizza prices continue to rise, it underscores the importance of monitoring inflation, making pizza a tangible and relatable barometer of economic changes within the community.

The Producer Price Index (PPI) track prices that consumers pay for products produced domestically. It's a crucial economic indicator that reflects inflationary pressures in the manufacturing sector.

The Pizza Factor Index (PFI) is a normalized index that allows you to compare PPI values over time, with December 1, 1982, as the base reference point with a value of 100. It helps in assessing the relative changes in producer prices over different time periods. A PFI value above 100 indicates an increase in producer prices compared to December 1, 1982, and a value below 100 indicates a decrease.

Perspective:

The PPI (Producer Price Index) and PFI (Pizza Factor Index) values did not exhibit a consistent pattern of increase across all presidential administrations. During the Trump administration, there were fluctuations in economic indicators, and some measures did show periods of decrease.

Biden's Economic Challenge:

One striking observation is the significant rise in PPI and PFI values during the Biden administration. The mean and median values of both indices reach their highest points during this period. This indicates an increase in producer prices, which can have implications for consumers, as higher producer prices can translate into higher costs for goods and services. The Biden administration faces the challenge of managing this upward trend while ensuring economic stability.

Clinton, A Tale of Contrasts:

Clinton's administration boasts the lowest mean PFI value, indicating that producer prices did not increase significantly when normalized against the 1982 base point. These differing approaches to economic management remind us of the diverse strategies employed by different administrations.

Volatility Across the Years:

The standard deviation values for PPI and PFI vary considerably among administrations. Notably, the Reagan and G.W. Bush administrations exhibit the highest variability. This suggests that these periods were characterized by more significant fluctuations in producer prices. Understanding the factors behind this volatility can provide valuable insights into the economic challenges faced during those times.

The Significance of PFI:

The PFI, or Pizza Factor Index, deserves special attention. It serves as a normalization tool, allowing us to compare PPI values over time. By setting the base reference point at December 1, 1982, with a value of 100, the PFI helps us assess relative changes in producer prices. It's a crucial tool for economists and policymakers to gauge inflation and economic trends accurately.

Producer Price Index (PPI) and Pizza Factor Index (PFI) Analysis

1. Descriptive Statistics:

We calculated basic statistics for the Producer Price Index (PPI) and Pizza Factor Index (PFI) grouped by Presidential Administration. The statistics include mean, median, and standard deviation for both PPI and PFI.

PPI Statistics:

- Mean PPI values range from 130.72 (Reagan) to 169.45 (Biden).
- Median PPI values range from 133.90 (Reagan) to 183.65 (Biden).
- Standard Deviation of PPI varies from 1.49 (Clinton) to 9.06 (Biden).

PFI Statistics:

- Mean PFI values range from 100.00 (Reagan) to 131.74 (Biden).
- Median PFI values range from 101.99 (Reagan) to 139.57 (Biden).
- Standard Deviation of PFI varies from 0.84 (Clinton) to 7.27 (Biden).

2. Observations:

- Both PPI and PFI values generally increase over time across different presidential administrations, reflecting overall economic trends.
- Biden's administration shows the highest mean and median PPI and PFI values, indicating increased producer prices during this period.
- Reagan's administration had the lowest mean PPI, while Clinton's administration had the lowest mean PFI.
- The standard deviation for PPI and PFI varies among administrations, with the highest variability observed during the Reagan and G.W. Bush administrations.

Source:

"Producer Price Index by Commodity: Processed Foods and Feeds: Frozen Dinners (Beef, Pork, and Poultry Pies) and Nationality Foods, Including Frozen Pizza (WPU02850111)." Federal Reserve Bank of St. Louis Economic Research, Aug 2023, <https://fred.stlouisfed.org/series/WPU02850111>. Accessed 6 Oct. 2023.

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